



PLANNING COMMISSION AGENDA REPORT

VI.5

MEETING DATE: DECEMBER 11, 2006

ITEM NUMBER:

SUBJECT: PLANNING APPLICATION PA-06-50 AND TENTATIVE MAP T-17112
685 W. 18TH STREET AND 686 PARK DRIVE

DATE: NOVEMBER 30, 2006

FOR FURTHER INFORMATION CONTACT: MEL LEE, AICP SENIOR PLANNER (714) 754-5611

DESCRIPTION

The applicant is proposing to convert an existing 2-story, 10-unit apartment complex into a common interest development (condominiums), with the exception of two density bonus units, and a variance from private open space requirements.

APPLICANT

The applicant is Barry Saywitz of the Saywitz Company, who is also the owner of the property.

RECOMMENDATION

Approve by adoption of Planning Commission resolution, subject to conditions.

MEL LEE, AICP
Senior Planner

R. MICHAEL ROBINSON, AICP
Asst. Development Services Director

PLANNING APPLICATION SUMMARY

Location: 685 W. 18th Street and 686 Park Drive Application: PA-06-50 & T-17112

Request: Convert 8 (of 10) existing apartment units to a common interest development (condominiums) with a variance from private open space requirements.

Zone: <u>R3</u>	North: <u>Surrounding properties</u>
General Plan: <u>High Density Residential</u>	South: <u>are zoned residential</u>
Lot Dimensions: <u>60 FT x 270 FT</u>	East: <u>and contain</u>
Lot Area: <u>16,200 SF</u>	West: <u>residential units</u>
Existing Development: <u>2-story, 10-unit apartment complex</u>	

DEVELOPMENT STANDARD COMPARISON

Development Standard	Required/Allowed	Proposed/Provided
Lot Size:		
Lot Width	100 FT	60 FT (1)
Lot Area	12,000 SF	16,200 SF
Density:		
Zone	1 du/2,178 SF	1 du/1,620 SF(1)
General Plan	1 du/2,178 SF	1 du/1,620 SF(1)
Building Coverage:		
Buildings	NA	5,114 SF (31%)
Paving	NA	4,564 SF (28%)
Open Space	6,480 SF (40%)	6,522 SF (41%)
TOTAL		16,200 SF (100%)
Building Height:		
Private Open Space	2 Stories/27 FT 10 FT minimum dimension	2 Stories/23 FT 6 FT, 5 IN/8 FT, 10 IN (2)
Setbacks		
Front (Both Streets)	20 FT	20 FT
Side (left/right)	10 FT Avg. (2 Story) (3) 5 FT (1 Story)	5 FT/5 FT (1)
Rear	NA	NA
Rear Yard Lot Coverage	NA	NA
Parking:		
Covered	10	10
Open	19	8
TOTAL	29 Spaces	18 Spaces (1)
Driveway Width	16 FT	16 FT

NA = Not Applicable or No Requirement

(1) The property is existing nonconforming.

(2) Does not comply with code – see staff report discussion.

(3) Residential Design Guideline

CEQA Status

Exempt, Class 1 (Existing Facilities)

Final Action

Planning Commission

BACKGROUND

The subject property contains a 10-unit, two-story, apartment complex. Five of the units have driveway access from West 18th Street, and the other five units have driveway access from Park Drive. The units consist of two 1-bedroom units and eight 2-bedroom units. All of the units are two-story. The project was approved in 1988 under Development Review DR-88-43.

On each street frontage, the 1-bedroom unit is a density bonus unit constructed over a five-car garage, for a total of two for the entire site. Per the Land Use Restriction and Density Bonus Agreement, these units are required to remain affordable rental units for low or moderate income persons or families for a period of 30 years (until 2018).

The applicant proposes to convert all but the two density bonus units to condominiums. Per Code Section 13-42(g), Planning Commission review is required when occupied apartments are proposed to be converted to a common interest development. The review is required to confirm compliance with applicable development standards and to consider potential impacts on the rental housing supply and displacement of tenants if the City's vacancy rate is below 3%. A variance is also required because the units do not comply with the minimum private open space standards.

ANALYSIS

Common Interest Development Conversion

Common interest developments must comply with additional development standards above those applicable to apartments. These additional development standards include minimum 10-foot by 10-foot private open space, having a break in the façade of at least 4 feet for every 2 dwelling units, and provision of on-site lighting. The existing development already complies with the façade breaks and on-site lighting requirements. With regard to the private open space requirement, the units proposed to be converted have existing patios that do not meet the minimum 10-foot requirement (of the 8 units proposed to be converted, four have patios 6'-5" deep by 18'-0" wide, and the other four have patios 8'-10" deep by 19'-0" wide). The applicant is requesting approval of a variance, discussed later in this report.

As indicated earlier, the development was approved in 1988. As a result, the development is legal nonconforming - whether as apartments or as condominiums - with regard to density and parking. The proposed conversion will not increase the project's degree of nonconformity.

The Zoning Code establishes a "critical vacancy rate" of 3% as the threshold for discouraging conversion of apartments to common interest developments, the idea being that conversions could diminish the supply of rental housing and displace residents unreasonably, particularly senior citizens and very low- and low-income families, as well as families with school age children. When the citywide rental vacancy

rate is 3% or less, Planning Commission may deny any requested conversions. The 2000 census data indicates the City's rental vacancy rate is 2.8%.

The tenants are currently paying approximately \$1,425 to \$1,525 a month in rent for the 2-bedroom units. Current affordable rental rates are summarized in the table below:

	Very-Low Income	Low-Income	Moderate Income
2-Bedroom Units	\$881 a month	\$1,057 a month	\$1,300 a month

Affordable Rental Rate Based Upon Fair Market Rent Established by US Dept. of Housing and Urban Development (HUD) for 2006 and 2007.

Conversion would not result in a loss of affordable units as the residents are paying rent higher than the affordable rates for moderate income persons. Conversion of the units will not result in the displacement of long-term residents or families with school age children. The tenants will be offered right of first refusal, with terms more favorable than those offered to the general public. As conditioned, if the tenants confirm they are not interested in purchasing the units, the property owner will be required to pay the registration fee for an apartment referral service.

As required by Code, a property inspection report and a termite report were submitted by the applicant, and a City property inspection was conducted by Building Safety staff. A copy of all three reports are attached for reference. Based on those reports, and to allow a general upgrading of the site, staff recommends the following improvements:

1. Improvements listed in the property report prepared by Stern Architects dated August 29, 2006. These requirements are required to be completed under the direction of the Planning staff.
2. Comply with all building, plumbing, and electrical, and mechanical corrections and upgrades listed in the March 22, 2006, memo prepared by the Building Safety Division.
3. Treat termite infestations and repair dryrot damage as recommended by a termite control company.
4. Decorative paving and upgraded landscaping where appropriate, subject to Planning Division approval.

Variance

As indicated earlier, the applicant is requesting a variance from the minimum 10-foot by 10-foot private open space dimensions per code. Code Section 13-29(g)(1) allows granting a variance where special circumstances applicable to the property exist, such as an unusual lot size, lot shape, topography, or similar features, and where strict application of the zoning ordinance would deprive the property owner of privileges enjoyed by owners of other properties in the vicinity under an identical zoning classification. Other factors (such as existing site improvements) may also be considered.

Although the patios do not have the minimum 10-foot dimension required by code, the overall size of the 8 patios, based on the dimensions discussed earlier in the report, will exceed the 100 square feet of area that would result in the provision of the minimum dimensions required by code (4 patios are 115 square feet and 4 patios are 167 square feet, respectively). Additionally, the project has overall open space that exceeds code requirements (40% required; 41% provided). As a result, staff supports the variance request.

Tentative Map

The applicant proposes a tentative map to allow each unit to be sold separately. The map is consistent with City Codes and the State subdivision Map Act.

Existing Density Bonus Units

As indicated earlier, the project was approved with two density bonus units. These units are required to remain as rental units for low or moderate income persons or families until 2018; as a result, they cannot be converted to ownership units. Staff has included as a condition of approval that these units be held by a single property owner or ownership entity until November 30, 2018, 30 years from the date the Land Use Restriction and Density Bonus Agreement for the project was approved (condition no. 12).

GENERAL PLAN CONFORMITY

Approval of the conversion is consistent with the City's General Plan, particularly Goal LU-1A.4, which encourages additional home ownership opportunities in the City to improve the balance between rental and ownership housing within the City.

ALTERNATIVES

The units could continue to be rented, without the proposed upgrades, if the request is denied.

ENVIRONMENTAL DETERMINATION

The project is exempt from the provisions of the California Environmental Quality Act under Section 15301 for Existing Facilities.

CONCLUSION

Conversion of the apartment units will result in a general upgrading of the property, as well as providing additional home ownership opportunities within the area. Conversion of the units will not diminish affordable housing stock. Additionally, current tenants will be offered right of first refusal to purchase, or the property owner will pay registration fees for an apartment search service to help them find a new apartment if they decide not to

purchase. The variance from private open space dimensions can be supported based on the overall area of the patios within the project.

Attachments: Draft Planning Commission Resolution
 Exhibit "A" - Draft Findings
 Exhibit "B" - Draft Conditions of Approval
 Applicant's Project Description and Justification
 Land Use Restriction and Density Bonus Agreement
 Inspection Reports
 Zoning/Location Map
 Plans
 Tenant Notices

cc: Deputy City Manager - Dev. Svs. Director
 Sr. Deputy City Attorney
 City Engineer
 Fire Protection Analyst
 Staff (4)
 File (2)

The Saywitz Company
Attn: Barry Saywitz
4740 Von Karman Avenue, Suite 100
Newport Beach, CA 92660

Occupant
685 W. 18th Street, Unit A
Costa Mesa, CA 92627

Occupant
685 W. 18th Street, Unit B1
Costa Mesa, CA 92627

Occupant
685 W. 18th Street, Unit B2
Costa Mesa, CA 92627

Occupant
685 W. 18th Street, Unit B3
Costa Mesa, CA 92627

Occupant
685 W. 18th Street, Unit B4
Costa Mesa, CA 92627

Occupant

686 Park Drive, Unit A
Costa Mesa, CA 92627

Occupant
686 Park Drive, Unit B1
Costa Mesa, CA 92627

Occupant
686 Park Drive, Unit B2
Costa Mesa, CA 92627

Occupant
686 Park Drive, Unit B3
Costa Mesa, CA 92627

Occupant
686 Park Drive, Unit B4
Costa Mesa, CA 92627

File: 121106PA0650T17112	Date: 112806	Time: 8:45 a.m.
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RESOLUTION NO. PC-06-

**A RESOLUTION OF THE PLANNING COMMISSION OF THE
CITY OF COSTA MESA APPROVING PLANNING
APPLICATION PA-06-50 AND TENTATIVE TRACT T-17112**

THE PLANNING COMMISSION OF THE CITY OF COSTA MESA HEREBY
RESOLVES AS FOLLOWS:

WHEREAS, an application was filed by Barry Saywitz, owner of the real property located at 685 W. 18th Street and 686 Park Drive, requesting approval to convert an existing 2-story, 10-unit apartment complex into a common interest development (condominiums), to allow the units to be sold independent of one another with the exception of two density bonus units, with a variance from private open space requirements, in an R3 zone; and

WHEREAS, a duly noticed public hearing was held by the Planning Commission on December 11, 2006.

BE IT RESOLVED that, based on the evidence in the record and the findings contained in Exhibit "A", and subject to the conditions contained in Exhibit "B", the Planning Commission hereby **APPROVES** Planning Application PA-06-50 and Tentative Tract T-17112 with respect to the property described above.

BE IT FURTHER RESOLVED that the Costa Mesa Planning Commission does hereby find and determine that adoption of this Resolution is expressly predicated upon the activity as described in the Staff Report for Planning Application PA-06-50 and Tentative Tract T-17112 and upon applicant's compliance with each and all of the conditions contained in Exhibit "B". Any approval granted by this resolution shall be subject to review, modification or revocation if there is a material change that occurs in the operation, or if the applicant fails to comply with any of the conditions of approval.

PASSED AND ADOPTED this 11th day of December, 2006.

Bill Perkins, Chair
Costa Mesa Planning Commission

STATE OF CALIFORNIA)
)ss
COUNTY OF ORANGE)

I, R. Michael Robinson, secretary to the Planning Commission of the City of Costa Mesa, do hereby certify that the foregoing Resolution was passed and adopted at a meeting of the City of Costa Mesa Planning Commission held on December 11, 2006, by the following votes:

AYES: COMMISSIONERS

NOES: COMMISSIONERS

ABSENT: COMMISSIONERS

ABSTAIN: COMMISSIONERS

Secretary, Costa Mesa
Planning Commission

EXHIBIT "A"**FINDINGS**

- A. The information presented substantially complies with Costa Mesa Municipal Code Section 13-29(10) in that, although the critical vacancy rate is less than the rate established in Section 13-42(c) (Residential Common Interest Development Conversions), the condominium conversion will not diminish affordable housing stock within the City. Conversion of the apartments will result in a general upgrade of the property, as well as satisfying General Plan Goal LU-1A.4 of providing additional home ownership opportunities within the City. To ensure that existing tenants are not displaced unreasonably, tenants will be offered right of first refusal to purchase, or the property owner pay registration fees for an apartment search service to help them find a new apartment if they decide not to purchase.
- B. The information presented substantially complies with Costa Mesa Municipal Code Section 13-29(e) in that:
 - a. The project is compatible and harmonious with existing development and uses in the general neighborhood.
 - b. Safety and compatibility of the design of buildings, parking areas, landscaping, luminaries and other site features, which includes functional aspect of the site development such as automobile and pedestrian circulation, have been considered.
 - c. The project is consistent with the General Plan.
 - d. The planning application is for a project-specific case and is not to be construed to be setting a precedent for future development.
 - e. The cumulative effect of all the planning applications has been considered.
- C. The information presented complies with Section 13-29(g)(1) of the Costa Mesa Municipal Code in that special circumstances applicable to the property exist to justify granting of the variances from private open space requirements. Specifically, although the dimensions of the patios do not meet the 10-foot minimum, the area will exceed the 100 square foot of area the minimum dimensions provides. Additionally, the project has an overall open space that exceeds code requirements.
- D. The proposed single lot airspace subdivision is consistent with the City's General Plan and Zoning Ordinances.
- E. Approval of the subdivision will allow additional home ownership opportunities without impacting affordable rental housing. This is consistent with the objectives, policies, general land use, and programs specified in the General Plan.
- F. The subject property is physically suitable to accommodate T-17112 in terms of type, design and density of development, and will not result in substantial environmental damage nor public health problems, based on compliance with the City's Zoning Code and General Plan.
- G. The design of the subdivision provides, to the extent feasible, for future passive or natural heating and cooling opportunities in the subdivision, as required by

Government Code Section 66473.1.

- H. The subdivision and development of the property will not unreasonably interfere with the free and complete exercise of the public entry and/or public utility rights-of-way and/or easements within the tract.
- I. The discharge of sewage from this subdivision into the public sewer system will not violate the requirements of the California Regional Water Quality Control Board pursuant to Division 7 (commencing with Section 13000 of the Water Code).
- J. The project has been reviewed for compliance with the California Environmental Quality Act (CEQA), the CEQA Guidelines, and the City environmental procedures, and has been found to be exempt from CEQA under Section 15301 (Existing Facilities).
- K. The project is exempt from Chapter XII, Article 3, Transportation System Management, of Title 13 of the Costa Mesa Municipal Code.

EXHIBIT "B"

CONDITIONS OF APPROVAL

- Plng. 1. The following improvements shall be made:
- a. All improvements listed in the property report prepared by Stern Architects dated August 29, 2006 shall be completed under the direction of the Planning staff.
 - b. Applicant shall treat termite infestations and repair dryrot damage as recommended by a termite control company prior to Planning Division final.
 - c. The applicant shall provide decorative paving and upgraded landscaping, where appropriate, subject to Planning Division approval.
2. The address of individual units shall be blueprinted on the site plan and on all floor plans in the working drawings.
 3. Street addresses shall be displayed on the complex identification sign or, if there is no complex identification sign, on the wall in a manner visible to the public street. Street address numerals shall be a minimum 6" in height with not less than 1/2" stroke and shall contrast sharply with the background. Identification of individual units shall be provided adjacent to the unit entrances. Letters or numerals shall be 4" in height with not less than 1/4" stroke and shall contrast sharply with the background.
 4. Applicant shall contact the Building Safety Division, prior to the release of utilities for any units, to provide proof that the Uniform Building Code requirements for condominiums have been satisfied, to obtain a change in occupancy permit, and to complete any additional items created through this conversion.
 5. The conditions of approval, code requirements, and special district requirements of Planning Application PA-06-50 and Tentative Tract T-17112 shall be blueprinted on the face of the site plan in the working drawings.
 6. The applicant shall contact the Planning Division to arrange for an inspection of the site prior to the final Building Division inspections. This inspection is to confirm that the conditions of approval and code requirements have been satisfied.
 7. The applicant shall offer the existing tenants right of first refusal to purchase the units with terms more favorable than those offered to the general public. If the existing tenants confirm in writing that they are not interested in purchasing the units, the property owner will pay the registration fee for an apartment referral service. The applicant shall provide Planning Division staff a copy of the written offer and the tenant's written response to the offer prior to final inspections. The applicant shall also provide evidence of the payment of the registration fee for an apartment referral service for tenants not accepting the purchase offer.
 8. The applicant shall show proof of compliance with all applicable conditions of approval and code requirements prior to recordation of the final map. This condition shall be completed under the direction of the Planning Staff.

9. The CC&R's shall require that garage spaces be used for parking purposes only. Any changes made to this provision shall require prior review and approval by the City of Costa Mesa.
10. The CC&R's shall disclose that the available parking on-site is short of the current condominium parking standards because of its existing nonconforming status.
11. Property owner shall provide cabinet enclosures over any meters visible from the street.
12. The CC&R's shall include a provision stating that the two density bonus units cannot be owner occupied and are regulated and monitored by the City of Costa Mesa through a Land Use Restriction and Density Bonus Agreement recorded on January 6, 1989, as Instrument No. 89-009463 in the Official Records of Orange County, or subsequent agreement amendments as required under condition of approval no. 10 below.
13. The two density bonus units shall be held by a single property owner or ownership entity until November 30, 2018 (30 years from the date of the approval of the Land Use Restriction and Density Bonus Agreement for the project). Separate ownership of any density bonus units is expressly prohibited.
14. Prior to the approval of the final map, the property owner shall identify the two density bonus units by unit number on the map; submit a request to the City Attorney's Office to amend the current Land Use Restriction and Density Bonus Agreement on the property; and reimburse the City for any legal expenses incurred to prepare the amended agreement. The agreement shall set forth affordable housing requirements through November 30, 2018. The amended Land Use Restriction and Density Bonus Agreement shall be recorded prior to the sale of the ownership units.
- Bldg. 15. Comply with all building, plumbing, electrical, and mechanical corrections listed in the March 22, 2006, Building Safety Division memo.

S T E R N
ARCHITECTS



August 29, 2006 (Revised)

Planning Department
City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92628

RECEIVED
CITY OF COSTA MESA
DEVELOPMENT SERVICES DEPARTMENT

AUG 29 2006

Subject: Condominium Conversion at 685 W. 18th Street/686 Park Drive

Planning Department:

As required as part of the Condominium Conversion process, we are providing you with a brief description of the subject property.

Built in 1989, this property is currently a 10-unit apartment complex, consisting of two large 1 bedroom units which are designated for Density Bonus rentals, and eight 2 bedroom, 2.5 bath townhouse-style units. The property at 685 W. 18th Street consists of four of these 2 bedroom townhouse units and one, 1 bedroom unit also designated as a density bonus unit, which is located above the existing garages. The property at 686 W. Park Drive is a complete mirror image of the 685 W. 18th Street property. All of the units are the same in size and configuration.

The property currently has a density bonus agreement with the city of Costa Mesa, which covers the two, 1 bedroom units. It is our understanding that these units must be maintained as is until the agreement period is completed.

There are no current restrictions with regards to the 2 bedroom, 2.5 bath townhouse units. As part of the condo conversion, all of the units will be completely remodeled with new travertine floors, new baseboards, crown molding throughout and new casing around all of the windows. Many of the windows will be replaced with thicker better soundproof windows. Many of the patios will be enlarged to create greater outdoor living areas. All of the patios will be upgraded with new fencing and slate covering in the patio areas.

Additional insulation will be added to any adjoining common walls to meet the required STC rating for sound protection. The interiors of the units will have new travertine floors, granite countertops and all new kitchen cabinetry with new stainless steel appliances. All bathrooms will be completely redone as well with travertine and granite shower enclosures, granite countertops, new sinks and new hardware. The exterior of the property will be upgraded as well with additional landscaping and treatment to the exterior stucco of the property to provide a more upgraded feel. The owner would like to create some additional upgraded signage at the entrances to both properties.

S T E R N ARCHITECTS



The electrical system in this complex is in good condition. Modifications to the Kitchens and bathrooms will require upgrades to the outlets in those areas. The plumbing system is also in good condition. Any work associated with the replacement of the existing plumbing fixtures will require updating piping to current code. The wall heaters will be replaced with new units as part of the condo conversion.

The parking and drive areas will have a new topcoat and be re-stripped. The existing garage configuration provides for private enclosed garages; however, new dividing walls will be installed if allowed and storage closets will be installed in each of the garages as well. Each unit has its own separate water heater. Any water heaters more than two years old will be replaced, if required, as part of the renovation.

It is not anticipated that any modifications will be made to the existing floor plan; however, we will look to include stackable washer/dryer units in each unit. The common laundry facilities, which currently exist, will be completely remodeled and upgraded as well. The existing roofs on the building are Mediterranean-style clay tile. They are in good condition and do not require replacement. The expected life span is an additional 15-20 years.

Any code upgrades will be addressed as part of the renovation, as well as any potential termite issues. The property has significant exterior lighting throughout the property, which is on a timer/photo cell. Any deficiencies will be addressed as part of the renovation.

If any additional information is required, please call.

Sincerely,

STERN ARCHITECTS, INC.

Robert Stern, AIA
President

CC: Barry Saywitz/Property Owner
The Saywitz Company

3:30 JAN 6 1989
P.M.

Lee A Branch RECORDER

RECORDING
REQUESTED BY
When recorded mail to:
City of Costa Mesa
Planning Division
P.O. Box 1200
Costa Mesa, CA 92628-1200

EXEMPT FROM RECORDING FEE
UNDER GOVERNMENT CODE 6103

Perry L. Valentine
Asst. Dev. Svs. Dir./Plng.

EXEMPT
C13

LAND USE RESTRICTION AND
DENSITY BONUS AGREEMENT

This agreement is entered into this 2 day of
Nov, 1988, by and between Satra Development
Corporation, hereinafter referred to as "APPLICANT", and THE CITY
OF COSTA MESA, a municipal corporation, hereinafter referred to as
"CITY".

R E C I T A L S:

A. APPLICANT is the owner of real property located in
the City of Costa Mesa, County of Orange, State of California,
located at 685 West 18th Street and more particularly described on
Exhibit "A", attached and incorporated herein, (the "Subject
Property"); and

B. APPLICANT has filed with the CITY an application for
a ten unit apartment project including two density bonus units and
therein seeks a density bonus incentive pursuant to Government Code
Section 65915 et seq.

C. The purpose of this agreement is to implement the
density bonus program and procedures as promulgated in Government
Code Section 65915 et seq. and to designate two (2) units as
"Density Bonus" housing as more particularly described herein.

The parties mutually represent and agree for themselves
and any and all of their successors in interest as follows:

1. APPLICANT shall promptly notify CITY of any and all changes whatsoever in the ownership of the subject property including any lease of the entire premises;

2. APPLICANT agrees to comply with all applicable federal, state and local laws and to secure or cause to be secured any and all permits which may be required by the CITY or any other governmental agency having jurisdiction over the Subject Property.

3. The covenants, promises, conditions and agreements established herein, shall, without regard to technical classification and designation, be binding on APPLICANT and any and all successors in interest, heirs, and assigns of the Subject Property or any part thereof. The covenants, promises and agreements herein shall remain in full force and effect for thirty (30) years from the date of this Agreement.

4. In addition to any other rights or remedies, either party may institute an action for legal or equitable relief, including but not limited to injunction and specific performance to cure, correct, or remedy any default or breach, to recover damages for any violation, default or breach, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal or equitable actions must be instituted in the Superior Court of Orange County, State of California, in any other appropriate court in that County, or in the United States District Courts in the Central District of California. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

5. The rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or at other times, of any other rights or remedies for the same default or any other default by the other party.

6. CITY has the right at all reasonable times to inspect the books and records of APPLICANT as pertinent to the purposes of this Agreement. APPLICANT shall keep full and accurate books of accounts, records, receipts and other pertinent data showing its financial operations and compliance with this Agreement. APPLICANT shall provide to CITY an annual financial report on March 1 during each year of the term of this Agreement, which annual report will certify compliance with this Agreement. CITY shall be entitled at CITY's expense, once during each calendar year during the term of this Agreement, upon forty-eight (48) hours prior notice to APPLICANT, to an independent audit, conducted by a certified public accountant to be designated by CITY. Any such audit shall be conducted during usual business hours at APPLICANT's place of business or some other mutually convenient and arranged place in the City of Costa Mesa.

7. APPLICANT shall establish the following rental restrictions for the housing units to be constructed on the Subject Property in consideration for the CITY's implementing the density bonus incentive on the Subject Property.

a. Density Bonus Units

- (1) two (2) units of the total number of units

on the Subject Property shall be provided as rental apartment units for persons and families whose combined household income does not exceed the standards for low or moderate income as defined in Section 50093 of the California Health and Safety Code.

(2) Prior to release of final occupancy, APPLICANT shall submit a letter to the CITY indicating the initial monthly rent to be charged to APPLICANT's tenants for the Density Bonus units. The monthly rent for the Density Bonus units shall not exceed fair market rent schedules prescribed pursuant to HUD's Section 8 Program for Orange County. The initial monthly rent levels shall be adjusted each year by APPLICANT as provided by the Section 8 Program.

(3) The Density Bonus units at the Subject Property shall be occupied by individuals and/or families whose combined household income does not exceed the standard set forth in paragraph 7.a. (1) above.

(4) APPLICANT acknowledges receipt of the attached Exhibit "B", Fair Market Rents schedule. APPLICANT acknowledges the Section 8 fair market rent schedule is adjusted annually. APPLICANT agrees to comply with and to implement the Section 8 fair market rent schedule as fixed by HUD during the entire term of this Agreement.

(5) The two (2) Density Bonus units at Subject Property shall be continuously rented or offered for rent at Section 8 fair market rent levels. In the event a tenant of a Density Bonus unit at the Subject Property enjoys a change in

circumstances and, as a result, no longer meets the applicable income standard, APPLICANT may permit such tenant to remain in the rental unit occupied by such tenant, without restriction to Section 8 fair market rent schedules. APPLICANT shall then assign another unit, when available, for rental and occupancy under the density bonus program.

8. In the event any inspection or audit conducted pursuant to Paragraph six (6) herein reveals and proves a deficiency or default in the number or type of Density Bonus units agreed herein to be maintained under the density bonus program conditions, APPLICANT shall reimburse CITY for any and all expenses incurred in conducting the inspection or audit; and APPLICANT shall begin immediately to adjust the number of units required to be rented or occupied as Density Bonus units to correct the deficiency, such that as units become available or vacant, such units shall be rented and occupied continuously and consistently with the density bonus program, and this Agreement.

9. During the entire term of this Agreement and with respect to any and all claims arising during such term, APPLICANT agrees to defend, indemnify and hold harmless the CITY and its agents, officers and employees, from and against all claims, suits, judgments or liabilities, for damage to real or personal property, or for personal injury to or death of any person as well as any costs and expenses incurred by CITY on account of any of the foregoing arising out of or related in any respect to negligence or intentional misconduct on the part of APPLICANT or his employees

or agents, or relating to a breach of this Agreement by APPLICANT.

10. In the event that either CITY or APPLICANT brings or commences an action to enforce the terms and conditions of this Agreement or to obtain damages against the other party arising from any default under or violation of this Agreement, the prevailing party, as determined by the Court, shall be entitled to and shall be paid reasonable attorney's fees and any and all court costs therefor.

11. This Agreement, and the terms, provisions, promises, covenants and conditions herein, shall be binding upon and shall inure to the benefit of the parties hereto, and to any and all of their respective heirs, legal representatives, successors in interest and assigns.

12. All notices, requests and authorizations relating to this Agreement shall be in writing and addressed as follows:

CITY OF COSTA MESA
DIRECTOR OF DEVELOPMENT SERVICES
77 FAIR DRIVE
P.O. BOX 1200
COSTA MESA, CALIFORNIA 92628-1200

APPLICANTS:

TOORAJ JAHANGIRI, PRESIDENT
SATRA DEVELOPMENT CORPORATION
180 NEWPORT CENTER DRIVE
SUITE 180
NEWPORT BEACH, CA 92660

or such other address as either party shall later designate for such purposes by written notice to the other party.

13. The provisions herein shall become effective on the last date of execution of this Agreement and shall automatically

terminate upon:

a. Expiration of thirty (30) years from the last date of execution of this Agreement; or

b. Change of use of the building(s) in which the Density Bonus units are located from residential apartment rentals to a different, non-residential use, pursuant to approval by the appropriate governmental agencies.

14. If total or partial destruction occurs, APPLICANT or its successors in interest may elect not to reconstruct such additional units that would constitute a Density Bonus, and if so, will be released from the provisions herein on those units that are deleted.

15. If a partial condemnation of the Subject Property should occur, the number of Density Bonus units may be reduced proportionately to the total reduction of units.

16. A breach of the provisions hereof shall not defeat nor render invalid the lien of any mortgage or deed of trust made in good faith and for value as to the Subject Property, but such provisions shall be binding upon and effective against any owner whose title is acquired by foreclosure, trustee sale, or otherwise.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by themselves or by their lawfully authorized officers.

89-009463

CITY OF COSTA MESA

BY:

Perry L. Valentine
 Perry L. Valentine
 Asst. Dev. Svs. Dir./Plng.

DATE:

11/2/88

STATE OF CALIFORNIA)

) SS.

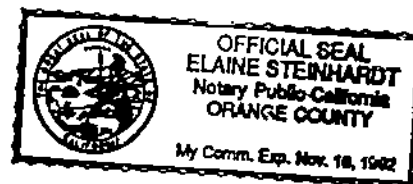
COUNTY OF ORANGE)

On November 30, 1988, before me, the undersigned,
 a Notary Public in and for the County of Orange, State of
 California, personally appeared PERRY L. VALANTINE, Asst. Dev. Svs. Director for
the City of Costa Mesa, on behalf of the City of Costa Mesa, known to me to be the
 person(s) whose name(s) is subscribed to the within instrument and
 acknowledged to me that (he/she/they) executed the same.

WITNESS my hand and official seal.

Elaine Steinhardt
 (Signature)

Elaine Steinhardt
 Name (typed or printed)



APPLICANT

CAT. NO. NN00737
 TO 21945 CA (1-83)
 (Corporation)

TICOR TITLE INSURANCE

STATE OF CALIFORNIA
 COUNTY OF ORANGE) SS.

89-009463

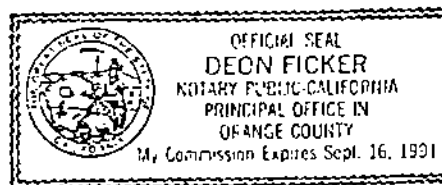
On DECEMBER 14, 1988 before me, the undersigned, a Notary Public in and for
 said State, personally appeared TICOR JAHANGIRI
 personally known to me or proved to me on the basis
 of satisfactory evidence to be the person who executed
 the within instrument as the
 President, and

 personally known to me or
 proved to me on the basis of satisfactory evidence to be
 the person who executed the within instrument as the
 Secretary of the Corporation
 that executed the within instrument and acknowledged
 to me that such corporation executed the within instru-
 ment pursuant to its by-laws or a resolution of its
 board of directors.

WITNESS my hand and official seal.

Signature

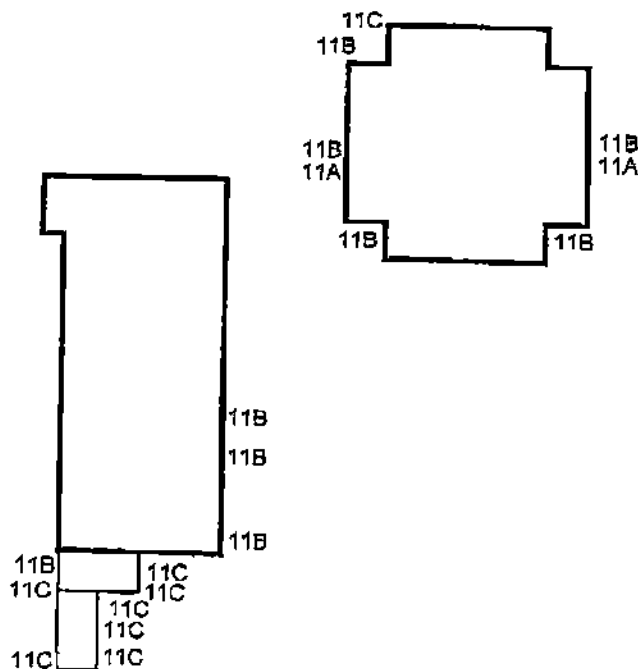
Deon Ficker



(This area for official notarial seal)

WOOD DESTROYING PESTS AND ORGANISMS INSPECTION REPORT

Building No. 685 W 18th St, Costa Mesa, CA 92627	Street 685 W 18th St, Costa Mesa, CA 92627	City Costa Mesa, CA 92627	Zip 92627	Date of Inspection 07/20/2006	Number of Pages 6
BUGMASTERS TERMITE CLEARANCE & REPAIRS P.O. Box 545, Buena Park, CA 90621 (714) 680-6777 • (562) 926-1336 • Fax (714) 680-6779				Report # W28318	
				Lic. Registration # PR 2015	
				Escrow #	
Ordered by: Saywitz 685 W 18th St Costa Mesa, CA 92627		Property Owner and/or Party of Interest: Saywitz 685 W 18th St Costa Mesa, CA 92627		Report Sent to: Saywitz Co. Barry Saywitz 4740 Von Karman Newport Beach, CA 92660	
COMPLETE REPORT <input checked="" type="checkbox"/> LIMITED REPORT <input type="checkbox"/> SUPPLEMENTAL REPORT <input type="checkbox"/> REINSPECTION REPORT <input type="checkbox"/>					
General Description: Two story wood framed stucco multi-unit building.				Inspection Tag Posted: No Applicable Place Available Other Tags Posted:	
An inspection has been made of the structure(s) shown on the diagram in accordance with the Structural Pest Control Act. Detached porches, detached steps, detached decks and any other structures not on the diagram were not inspected.					
Subterranean Termites <input type="checkbox"/> Drywood Termites <input checked="" type="checkbox"/> Fungus / Dryrot <input checked="" type="checkbox"/> Other Findings <input type="checkbox"/> Further Inspection <input type="checkbox"/>					
If any of the above boxes are checked, it indicates that there were visible problems in accessible areas. Read the report for the details on checked items.					



This Diagram is not to scale

Inspected by: Manuel Barahona

State License No. FR 31640

Signature

Manuel Barahona

You are entitled to obtain copies of all reports and completion notices on this property reported to the Structural Pest Control Board during the preceding two years. To obtain copies contact: Structural Pest Control Board, 1418 Howe Avenue, Suite 18, Sacramento, California, 95825-3204.

NOTE: Questions or problems concerning the above report should be directed to the manager of this company. Unresolved questions or problems with services performed may be directed to the Structural Pest Control Board at (916) 561-8708, (800) 737-8188 or www.pestboard.ca.gov



CITY OF COSTA MESA

P.O. BOX 1200 • 77 FAIR DRIVE • CALIFORNIA 92628-1200

DEVELOPMENT SERVICES DEPARTMENT

**FOR ATTACHMENTS NOT INCLUDED IN THIS REPORT,
PLEASE CONTACT THE PLANNING DIV. AT (714)754-5245.**